



Excise Tax Advisory

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NUMBER: 151.04.231

CONVERSION DATE: July 1, 1998

WHOLESALE FUNCTIONS TAX ON DISTRIBUTIONS BETWEEN RETAIL STORES

Issued August 12, 1966

Are distributions from four retail outlets which also operate as warehouses for one another subject to the Wholesaling Functions Tax?

Taxpayer operated four retail drug stores. Each store, in addition to its regular retailing function, bought and warehoused certain kinds of items which were transferred to the three other stores as needed. For example, one of the stores bought and warehoused all pharmaceutical supplies and distributed each item from its warehouse to the other stores. Another store performed like functions with respect to all hardware and variety items. A Wholesaling Functions Tax was assessed on the articles stored in one store and sent to two or more of the others.

The Wholesaling Functions Tax applies to a distribution of tangible personal property from a warehouse or other central location to two more retail stores or outlets. RCW 82.04.270. Rule 231 defines "warehouse or other central location" to mean any facility, regardless of the type of activity conducted there, operated by the distributor where articles are received and from which they are distributed. Further, "two or more of their own retail stores or outlets" is defined to be "two or more retail stores operated within this state separate and apart from any 'warehouse or other central location.'" The tax does not apply when there is only one retail store, a part of which is operated as a distributing warehouse.

The Commission held that the above rule was intended to eliminate application of the Wholesaling Functions Tax where two retail stores are operated, one of which operates as a warehouse for both. However, here taxpayer operated two or more stores in addition to the one from which distribution was made, and the tax was applicable.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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